

MISSION

community

technology

brand

authentic conversations

financial literacy

RELATIONSHIPS

MEMBER

respect

collaboration



competence VALUES

accountability

stakeholders **curiosity**

**financial capability
& health**



employee engagement

VISION

culture integrity

ADVOCACY

member satisfaction **board**

corporate social responsibility

growth **compassion**



AT THE CORE OF RAPPORT

OUR VISION

Achieve healthy sustainable financial futures, together.

OUR MISSION

We are advocates for our members, providing exceptional personalized service through authentic conversations strengthening financial capability and health.



OUR VALUES



COMPETENCE. We are committed to using our knowledge and skills to service our members effectively and efficiently. We ensure all Rapporians have the right training and expertise.



COMPASSION. We care. We respond with warmth and authenticity to get the right outcomes and solutions.

ACCOUNTABILITY. We are responsible and answerable in all decisions made, advice given and conversations had. No matter the outcome.



INTEGRITY. We live by internal moral and ethical principles. We are open and honest with our members and build trusting relationships.



CURIOSITY. We desire to learn or know more about something or someone. We use our curiosity to generate open and authentic conversations with our members and each other.



RESPECT. We value others. We are polite and show genuine care, concern, and consideration for everyone's needs and feelings.

COLLABORATION. We do great things together.



MESSAGE FROM THE BOARD CHAIR & CEO

Being part of Rapport is a privilege because Rapport is unique compared to other financial institutions. We begin with our name, which clearly states what you can expect when you engage with Rapport for your financial services.

rap·port

ra'pôr

a close and harmonious relationship in which the people or groups concerned understand each other's feelings or ideas and communicate well.

a great place to talk to someone about your money.



From the vision to our corporate values, Rapport operates within the regulatory framework to provide our members with financial advice that will not compromise their future. The members of the Board take the responsibilities asked of them from our members, our partners and the regulators very seriously. The governance of Rapport requires specialized committees to ensure the oversight responsibilities accepted on behalf of our membership are fulfilled.

The key words in our vision and mission that drive us to excellence for our members are advocates, healthy sustainable financial futures, authentic conversations and financial capability and health. In a world where happiness is constantly promoted as having more, Rapport is working to be heard above the noise and support our members in finding what the research says we are really looking for, meaningful and contented lives. Imagine every day waking up feeling content and knowing that all the choices you have made and will keep making allow you to live life on your terms, not someone else's.

Rapport is a good news story and this year we are celebrating a milestone. In August 2019, Rapport will celebrate its 5th anniversary. Rapport was the amalgamation of two credit unions with history spanning over 70 years. The vision was to be stronger together and support our members so they could be financially confident.

Research shows that between 70% and 90% of mergers fail. The Rapport experience is different. After five years, our assets are \$12 million higher than projected. Our employee engagement and member satisfaction levels have improved. As we expected, service levels and problem resolution dipped and then recovered during the first few years post-merger as both members and staff adapted to a new banking system, new partners and channels for processing members' financial transactions.



Earlier in 2018, we began to plan for the next five years of Rapport. We made changes to our vision, mission and corporate values. Although these changes may appear minor, they will have a significant impact on our ability to measure the financial success of our members and support behaviour that will provide our members with the experience Rapport stands for.



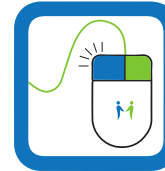
Our focus will be on improving our members' experience and providing better services to our small business members. Research says that by 2020 customer experience will overtake price as a brand differentiator. This completely aligns with our member commitment and how we do business. And we know technology will play an important part in that experience. Rapport will continue to spend considerable time and effort improving our technology. As always, technology investments will be carefully planned and closely monitored to

ensure we are continuing to provide members with a positive experience online, face-to-face and over the phone.

In 2018, we introduced new ATMs, ClickSWITCH, Deposit Anywhere and replaced our ATM debit cards with flash, or as many refer to it, tap technology. Behind the scenes, we introduced new procedures to streamline processes that would benefit members and employees. We also transitioned from the CUETS Financial MasterCard to Collabria Visa. Collabria has proven to be a very strong partner.

TECHNOLOGY IMPROVEMENTS IN 2018

New ATMs



ClickSWITCH

DEPOSIT ANYWHERE



FLASH DEBIT CARDS

ENHANCEMENTS COMING IN 2019

OPEN
ANYWHERE

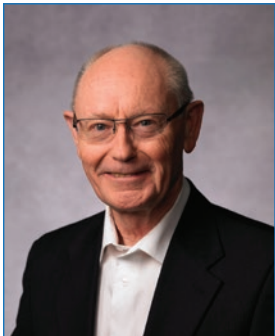


BORROW
ANYWHERE

In 2019, we will introduce our Open Anywhere™ and Borrow Anywhere™ software that will increase efficiency and improve our members' experience when opening new accounts or applying for a loan, by decreasing processing time and allowing us to have more time to do what we do best - building rapport with our members.

By 2020, 85% of financial interactions will take place online and 81% of the time, our members will choose self-service before contacting support. To ensure our members have a positive experience each and every time they interact with Rapport online at the end of 2019 we will start a project to launch a new, more responsive and mobile friendly website. This makes it even more important that when we have the opportunity to be with our members our focus is on service and support and not processing their financial transactions.

We have a past we are proud of and a future that is bright. Of course, none of this is possible without our members. On behalf of the Board of Directors, management and staff of Rapport, we want to say thank you for your continued patronage and belief in the Rapport vision, mission and values. Without your support, we would not be able to make a difference in the lives of so many.



John Martin
Board Chair



Kim Leak
CEO

BOARD OF DIRECTORS



John Martin



Rox-Anne Moore



Alia Ahmed



Pinoo Bindhani



Gary Brown



Stuart Campbell



Steven Carrasco



Sandy Henderson



Murray Lindo



Michael Parzei



Carey Scheppner



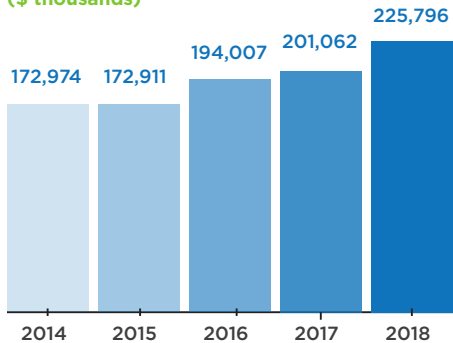
Cathy Woodbeck

FINANCIAL REPORT

2018 will be remembered as a year of strong financial performance where Rapport Credit Union increased its year over year before tax income by \$400 thousand. This achievement reflects the cumulative efforts of Rapport Credit Union employees to provide our members with competitive products and other value-added services.

Loans

(\$ thousands)

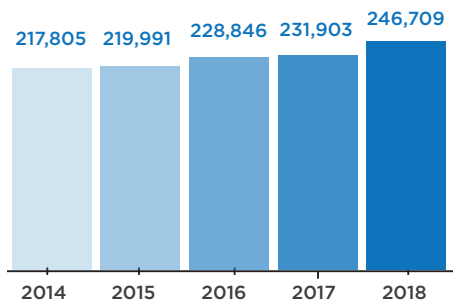


Despite the challenges and changes that occurred in the retail lending markets in 2018, our retail loan growth increased \$18 million or 12%. As our lending portfolio is the largest source of Rapport's income it is an important operating metric to monitor and is an increase that management is proud of. Our commercial lending portfolio had growth of \$7 million or 15%, which also strengthened our financial performance.

To support this lending the acquisition and retention of deposits has been of high importance. During the year we relied on growth from within the membership and when required we purchased deposits to fund our lending. At the end of 2018, 8% of our total deposits were externally acquired. On a go forward basis we anticipate this funding mechanism to continue to play an important role in our growth and liquidity strategies. Overall deposits increased \$15 million or 6%.

Deposits

(\$ thousands)

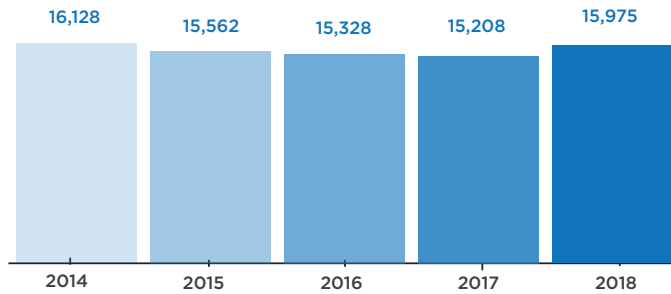


With significant growth in both our lending and deposit portfolios our operating income increased \$174 thousands. Although the control of member borrowing is not fully under our control, cost management and deployment of existing resources is. As such, our total operating expenses decreased \$218 thousand resulting in a before tax income of \$431 thousand corresponding to an increase of \$392 thousand since 2017.

On January 1, 2018 Rapport Credit Union was also required to adopt the International Accounting Standard Board's new standard: IFRS 9 – Financial Instruments. The adoption of this standard had a profound impact in the manner in which we accounted for loan provisions. Under the new guidance it is required to establish a provision for expected credit

Regulatory Capital

(\$ thousands)



losses unlike the prior methodology that required a distinctive event to occur before a provision is established. The result is a one-time increase in our loan provision of \$150 thousand. As a result of a financial asset change in measurement, we were also required to carry certain investments at fair value. This resulted in a fair market value gain of \$159 thousand. Overall, the impact on capital as a result of the adoption of this standard was minimal. Our total capital for the year increased \$767 thousand to \$16 million. Our leverage ratio decreased 6 bps to 6.07% while

our risk weighted ratio also decreased from 12.16% to 12.00%. The decrease noted reflects the significant increase in assets that occurred during the year. Despite these changes, we continue to exceed all regulatory capital requirements and remain well positioned for 2019.

As we look forward to 2019, we can anticipate continued growth as we plan to invest in technology that will enhance member experience. These are exciting times and we are looking forward to our continued financial progress in 2019.



Ryan Lim
CFO

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL REPORT

The summarized financial statements and the complete financial statements of Rapport Credit Union Limited and all the information in this Annual Report are the responsibility of Management and have been approved by the Board of Directors. All financial and operating data included in this Annual Report are consistent with the financial statements.

Management has prepared the financial statements in accordance with International Financial Reporting Standards (IFRS). When alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the Annual Report and has ensured that it is consistent with that in the financial statements.

The Audit and Operational Risk Committee meets regularly with management, as well as the internal and external auditors, to discuss internal controls over the financial reporting process, auditing matters, financial reporting issues and to review the financial statements and the external auditor's report. The Committee reports its findings to the Board for consideration when approving the complete financial statements for issuance to the members. In addition, this Committee recommends the appointment of external auditors.

Independent external auditors, appointed by the members, audit our financial statements in accordance with Canadian generally accepted auditing standards. The auditors have free and independent access to the Audit and Operational Risk Committee and meet with the Committee and with Management to discuss their audit and related findings.

Kim Leak
CEO

Ryan Lim
CFO

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARIZED FINANCIAL STATEMENTS

To the Members of Rapport Credit Union Limited

Opinion

The summarized financial statements, which comprise the summarized statement of financial position as at December 31, 2018, and the summarized statement of income and comprehensive income, the summarized statement of changes in members' equity, and cash flows for the year then ended, are derived from the audited financial statements of Rapport Credit Union Limited (the "Credit Union") for the year ended December 31, 2018.

In our opinion, the accompanying summarized financial statements are a fair summary of the audited financial statements.

Summarized Financial Statements

The summarized financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized financial statements and the auditor's report thereon, therefore, is not a substitute for reading the Credit Union's audited financial statements and the auditor's report thereon.

The summarized financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated March 6, 2019.

Management's Responsibility for the Summarized Financial Statements

Management is responsible for the preparation of the summarized financial statements in accordance with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summarized financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, *Engagements to Report on Summary Financial Statements*.

The signature of Deloitte LLP is written in a cursive, handwritten style in black ink.

Chartered Professional Accountants
Licensed Public Accountants
March 6, 2019

SUMMARIZED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

FOR THE YEARS ENDED
DECEMBER 31, 2018 AND
DECEMBER 31, 2017

(CDN dollars in thousands)	2018	2017
	\$	\$
INTEREST INCOME	8,229	7,494
INVESTMENT INCOME	525	633
	8,754	8,127
INTEREST EXPENSE	1,841	1,585
NET INTEREST INCOME	6,913	6,542
PROVISION FOR IMPAIRED LOANS	63	7
NET INTEREST MARGIN	6,850	6,535
OTHER OPERATING INCOME	3,011	3,152
TOTAL OPERATING INCOME	9,861	9,687
DEPOSIT INSURANCE PREMIUM	245	205
DEPRECIATION	536	546
GENERAL AND ADMINISTRATIVE	2,171	2,322
MARKETING	441	488
OCCUPANCY	795	783
PERSONNEL EXPENSES	5,242	5,304
TOTAL OPERATING EXPENSES	9,430	9,648
INCOME BEFORE INCOME TAXES	431	39
INCOME TAX RECOVERY	(341)	(2)
NET INCOME	772	41
OTHER COMPREHENSIVE LOSS, NET OF INCOME TAXES	-	(28)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	772	13

SUMMARIZED STATEMENT OF CHANGES IN MEMBERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

(CDN dollars in thousands)	MEMBERSHIP SHARES	CLASS B SHARES - PATRONAGE	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME	TOTAL
	\$	\$	\$	\$	\$
AS AT JANUARY 1, 2017	1,003	1,603	21,310	(6)	23,910
TOTAL COMPREHENSIVE INCOME (LOSS)	-	-	41	(28)	13
SHARES RECLASSIFIED FROM LIABILITIES	-	9	-	-	9
ISSUANCE OF SHARES	35	-	-	-	35
REDEEMED SHARES	(63)	(87)	-	-	(150)
AS AT DECEMBER 31, 2017	975	1,525	21,351	(34)	23,817
TRANSITIONAL ADJUSTMENTS	-	-	(25)	34	9
TOTAL COMPREHENSIVE INCOME (LOSS)	-	-	772	-	772
SHARES RECLASSIFIED FROM LIABILITIES	-	11	-	-	11
ISSUANCE OF SHARES	42	-	-	-	42
REDEEMED SHARES	(65)	(111)	-	-	(176)
AS AT DECEMBER 31, 2018	952	1,425	22,098	-	24,475

SUMMARIZED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

(CDN dollars in thousands)	2018 \$	2017 \$
ASSETS		
CASH AND CASH EQUIVALENTS	15,375	11,212
INVESTMENTS	18,305	31,962
LOANS TO MEMBERS	225,796	201,062
DERIVATIVE FINANCIAL INSTRUMENTS	33	76
PROPERTY AND EQUIPMENT	13,879	14,033
CURRENT INCOME TAXES RECEIVABLE	18	43
OTHER ASSETS	476	268
TOTAL ASSETS	273,882	258,656
LIABILITIES		
DEPOSITS FROM MEMBERS	246,709	231,903
ACCOUNTS PAYABLES AND ACCRUED LIABILITIES	704	496
CO-OP DEPOSIT	796	815
DERIVATIVE FINANCIAL INSTRUMENTS	33	76
DEFERRED INCOME TAX LIABILITIES	1,007	1,380
CLASS B SHARES - PATRONAGE	158	169
TOTAL LIABILITIES	249,407	234,839
MEMBERS' EQUITY		
MEMBERSHIP SHARES	952	975
CLASS B SHARES - PATRONAGE	1,425	1,525
RETAINED EARNINGS	22,098	21,351
ACCUMULATED OTHER COMPREHENSIVE LOSS	-	(34)
TOTAL MEMBERS' EQUITY	24,475	23,817
TOTAL LIABILITIES & MEMBERS' EQUITY	273,882	258,656

SUMMARIZED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED
DECEMBER 31, 2018 AND
DECEMBER 31, 2017

(CDN dollars in thousands)	2018 \$	2017 \$
OPERATING ACTIVITIES		
NET INCOME	772	41
ADJUSTMENTS FOR:		
PROVISION FOR IMPAIRED LOANS	63	7
INTEREST INCOME	(8,229)	(7,494)
INTEREST EXPENSE	1,841	1,585
DEPRECIATION	536	546
AMORTIZATION OF CO-OP DEPOSIT	(19)	(19)
INCOME TAX RECOVERY	(341)	(2)
	(5,377)	(5,336)
CHANGES IN OPERATING ASSETS / LIABILITIES		
CHANGE IN LOANS TO MEMBERS	(24,894)	(6,924)
CHANGE IN DEPOSITS FROM MEMBERS	14,503	3,086
CHANGE IN OTHER ASSETS	(126)	18
CHANGE IN ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	208	112
CASH USED FROM OPERATING ACTIVITIES BEFORE INTEREST & TAXES	(15,686)	(9,044)
INTEREST RECEIVED ON LOANS	8,183	7,423
INTEREST PAID	(1,538)	(1,598)
INCOME TAX RECEIVED	11	-
INCOME TAX PAID	(18)	(11)
	(9,048)	(3,230)
INVESTING ACTIVITIES	13,345	63
FINANCING ACTIVITIES	(134)	(115)
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,163	(3,282)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,212	14,494
CASH AND CASH EQUIVALENTS, END OF YEAR	15,375	11,212



RAPPORT CREDIT UNION LIMITED

18 Grenville Street Suite 1 **Toronto**
1072 Oliver Road, Unit 2 **Thunder Bay**
405 James Street South **Thunder Bay**
The Golf Links Center 7-1100 Golf Links Road **Hamilton**
43 Clergue Street **Kakabeka Falls**
Macdonald Cartier Building 49 Place D'Armes **Kingston**
815 King Street **Midland**
945 Stockdale Road **North Bay**
Michael Starr Building 33 King Street W. **Oshawa**
441 Water Street **Peterborough**
145 Sir William Hearst Ave., Room 141 **Toronto**
100 Stokes Street **Toronto**

Be true to your money.